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ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

The level of total domestic products supplied rose an estimated 641 MBD (4.2%) in February over year-earlier levels; all major products contributed to the increase with the exception of residual fuel oil, which fell more than 200 MBD. Of the total net increase, it is estimated that roughly half is directly related to colder weather with the remainder attributable to sizable changes in non-primary inventories and around a 1% increase in demand.

Crude oil production rebounded from January's drop which had been caused by operational problems at the Alaskan pipeline, posting a slight increase over last February's daily average. Imports, still under the cloud of price uncertainty, fell more than 1.7 million barrels per day below last February's levels. This led to a substantial reduction in crude oil inventories and contributed to a larger-than-seasonal drawdown of total inventories.

Drilling activities continued to lag prior-year levels. The count of active rigs dropped about 10% below last February's. The January count of wells completed, the first to be prepared using the new approach to well activity reporting, shows the number of January well completions to be roughly one-third below last year's level. Such one-month comparisons, however, are difficult to interpret.

PRODUCTS SUPPLIED[1/]

Gasoline

UP 2% FROM LAST FEBRUARY'S LEVEL. Deliveries of gasoline rose 123 MBD (2.0%) over last February's level, roughly in line with the average pace of recent year-to-year increases. The advance is in large part the result of a roughly 7% increase in real disposable income (year 1984 vs. year 1983) and a drop in gasoline prices. Gasoline pump prices, while minimally ahead of last month as posted prices recovered slightly from their several-month decline, were still roughly 11¢ below year-ago levels, when adjusted for inflation. In addition, last February's deliveries had been slightly below the then-prevailing trend.

Unleaded gasoline's share of the total gasoline market, at roughly 62% in February, has remained in the lower 60 percent range for several months, some 4-5 percentage points above prior-year levels. Car sales continue to be strong, though the year-to-year increases of the past two months have been less than those experienced last year. During 1984, total car sales rose about 13%, but the January/February total is only about 3% above the corresponding period last year.

Distillates

UP 18% OVER LAST FEBRUARY. Distillate deliveries rose 506 MBD (17.8%) over year-earlier levels. A roughly 300 MBD share of the increase is the result of weather about 27% colder than last February's when average temperatures were considerably warmer than normal. The remainder is in large measure related to inventory changes at the secondary and end-user levels.

After a pause in the third quarter of 1984, the economy showed renewed vigor. Based on recent trends, rail and truck traffic levels are likely to have been close to last February's levels. As a result, the demand for diesel oil is estimated to have been about the same as a year ago.

In addition to the weather effect, the remainder of the increase in distillate deliveries is likely to have resulted from the behavior of non-primary inventories. Last February's purchases by distributors were below normal levels. While there may have been some initial hesitancy this February in making purchases, the low level of inventories, depleted by harsh January weather, and a turn-around in product prices appear to have eventually induced resellers to replenish inventories.

Residual Fuel Oil

DOWN 13% VERSUS LAST YEAR.

Deliveries of residual fuel oil fell 203 MBD (12.7%) compared with February 1984 levels, continuing the long-prevailing downward trend.

Because of volatile price conditions, world trade in petroleum products is estimated to be some 5%-10% below year-earlier levels, adversely affecting bunker fuels requirements for overall world shipping activities. As a result, U.S. bunker fuel sales are estimated to have fallen 10-20 MBD from year-ago levels when oil import activity was considerably higher than this year's.

In the utility and industrial sectors of the market, resid sales have been lost to alternative fuel sources, though colder weather than last year likely cushioned the decline somewhat.

Electricity generation rose an estimated 7% in February over year-earlier levels. The increase, mainly the result of abnormally cold weather early in the month, is likely to have minimized the decline in the utilities' use of resid somewhat, perhaps holding it to below 100 MBD. During previous periods of abnormally-high generation, utilities have used resid as a readily-available incremental energy input.

Eleven months of 1984 data for energy input at electric utilities show that petroleum continued to lose volume and market share compared with the corresponding 1983 period. Petroleum volume dropped more than 12% to about 570 MBD despite a 5% higher total energy input, while both coal and natural gas input rose more than 7%. As a result, both coal and natural gas gained market share while petroleum input fell to 5%. Over the past decade, petroleum input for electricity generation has fallen by about two-thirds and its market share has eroded to roughly the same degree.

Residual fuel oil prices weakened somewhat towards month end on reports of a possible early end to the U.K. coal strike. For the month on average, however, prices were still relatively strong; worldwide demand remained high because of abnormally cold weather in Europe, and extra demand related to the then-still-ongoing U.K. strike was still in evidence. Natural gas prices, on the other hand, have recently tended to drift downward.

These pricing trends also appear to be motivating industrial customers who, with increasing dual-fuel capability, can quickly take advantage of any changes in energy prices and are estimated to have accounted for the remainder of the February decline.

Kerosine Jet Fuel

UP 12% OVER LAST FEBRUARY'S LEVEL.

The level of kerosine jet fuel rose 105 MBD (11.5%) over last February's. This large advance follows an increase of only 3% last month. With "miles flown" increasing recently at a roughly 9-10% rate, the large difference between the January and February increases is likely to be in large measure due to inventory management. In addition, in February of last year, deliveries dropped substantially from high January levels inflated in part by reported diversions of kerosine jet fuel to distillate use.

Other Oils

UP 1% OVER LAST FEBRUARY'S LEVEL.

"Other oils" were supplied at a 43 MBD (1.1%) higher rate than in February of 1984. Year-to-year increases in deliveries of "other oils" have grown smaller - or disappeared entirely - in recent months as the pace of recovery of chemical activity slowed and imports increased.

Asphalt and road oil deliveries increased about 40% over year-earlier levels in December (latest available data) and were some 8% ahead for the year as a whole. These increases were largely the result of higher outlays for state and local highway construction and repair. Release of funds for interstate contruction to the states has only recently received congressional approval.

Liquefied petroleum gases have also been on an uptrend, rising some 70 MBD in 1984 over 1983 levels, largely as a result of higher ethane sales which we estimate rose some 50 MBD, or about 8%, in 1984 over the prior-year level. Deliveries of petrochemical feedstocks in 1984, on the other hand, declined some 50 MBD, or about 15%, from 1983 levels.

(In millions of B/D)	FEBRUARY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total domestic products supplied	16.0	15.4	4.2	16.1	16.1	0.3
—Motor gasoline supplied	6.4	6.2	2.0	6.4	6.3	1.9
—Distillate fuel oil supplied	3.3	2.8	17.8	3.4	3.2	5.7
—Residual fuel oil supplied	1.4	1.6	(12.7)	1.5	1.8	(19.0)

PETROLEUM SUPPLY[1/]

Total supply fell 1,694 MBD compared with year-earlier levels, essentially as a result of falling imports.

Production

ROSE MINIMALLY IN FEBRUARY. Crude oil production rose 24 MBD (0.3%) over daily levels last February. Normal movement through the Alaskan pipeline, adversely affected by operational problems in January, was restored. Alaskan production, in fact, posted a new high, resulting in a year-to-year increase of about 170 MBD. Production in the lower 48, affected by cold weather and subsequent flood conditions, fell about 145 MBD.

Natural gas liquids production rose almost 5%, following increases in natural gas production.

Imports

FELL 31%. Imports fell 1,745 MBD (31.4%) in February as a result of continuing uncertainty as to the course of crude oil prices. Crude oil imports fell by about 700 MBD, close to 25%. Product imports also showed a sharp decline from the unusually high import levels of last February when the combined imports of distillates and residual fuel oil, in the wake of the December 1983/January 1984 cold spell, averaged almost 1.6 million barrels per day, about twice this year's level.

Gasoline imports (including gasoline components) are estimated to have been some 100 MBD above year-earlier levels. The exact volume of gasoline component imports continues to be difficult to determine because of product classification problems, and their published size may well be understated.

Prime sources of imports did not change. Mexico continued to be the leading supplier in both 1983 and 1984, though, for the first time since May, it lost the No. 1 spot to Canada for the month of December. Identical successive annual rankings were held in both 1983 and 1984 by Canada, Venezuela, the United Kingdom, and Indonesia.

Inventories

LARGER-THAN-NORMAL DRAW-DOWNS. Inventory drawdowns in February were more than double the recent-year average. Crude oil stocks, normally staying at roughly the same level in February as in January, dropped some 9 million barrels because of continued reluctance on the part of buyers to hold inventories during periods of volatile prices. Gasoline inventories fell counterseasonally and, at 36 days' of supply, are somewhat below normal levels. Distillate stocks declined almost 19 million barrels in February, minimally above the average drop of past years. Colder weather forced distributors to replenish secondary inventories that had been allowed to fall significantly in January.

Operations

UTILIZATION IN MID-70% RANGE. A drop in input to distillation units 100 MBD greater than the decline in operable capacity levels contributed to a more than one percentage - point drop in the utilization rate versus last February's. However, if only estimated capacity in actual current operation of slightly more than 14 million barrels per day is considered, the utilization rate rises into the low eighties.

Exploration

RIG ACTIVITY DECLINED ABOUT 10%. The count of active rigs was about 10% below last February's level. The count of wells actually drilled in January and reported in the same month, the first using the new approach to well activity reporting, has been completed. It shows a roughly one-third drop when compared with last January's level. However, a one-month comparison of such data is difficult to assess. February data are not yet available.

(In millions of B/D)	FEBRUARY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	15.3	17.0	(9.9)	15.4	16.7	(7.8)
—Crude production[2/]	8.9	8.9	0.3	8.8	8.8	(0.2)
—Crude oil imports[3/4/]	2.2	2.9	(24.7)	2.4	2.8	(16.8)
—Product imports	1.7	2.7	(38.5)	1.7	2.5	(32.5)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 460 million barrels as of Februrary 28, 1985).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	FEBRUARY			YEAR-TO-DATE		
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	6,360	6,237	2.0	6,371	6,253	1.9
Finished leaded motor gasoline*	2,434	2,652	(8.2)	2,401	2,657	(9.6)
Finished unleaded motor gasoline*	3,926	3,585	9.5	3,970	3,596	10.4
Naphtha-jet	215	200	7.5	218	195	11.8
Kerosine-jet	1,020	915	11.5	1,027	961	6.9
Distillate fuel oil	3,348	2,842	17.8	3,358	3,177	5.7
Residual fuel oil	1,399	1,602	(12.7)	1,456	1,798	(19.0)
All other oils[4]	3,835	3,792	1.1	3,871	3,903	(0.8)
Reclassified[5]	- 147	- 199	(26.1)	- 177	- 206	(14.1)
Total domestic products supplied	16,030	15,389	4.2	16,124	16,081	0.3
Exports	813	582	39.7	756	578	30.8
Total products supplied	16,843	15,971	5.5	16,880	16,659	1.3
Supply:						
Domestic production:						
Crude oil[6]	8,911	8,887	0.3	8,820	8,840	(0.2)
Natural gas liquids	1,705	1,629	4.7	1,683	1,607	4.7
Other supply[7]	919	968	(5.1)	833	900	(7.4)
Total domestic supply	11,535	11,484	0.4	11,336	11,347	(0.1)
Imports:						
Crude oil, total	2,160[10/]	2,868[10/]	(24.7)	2,370[10/]	2,848[10/]	(16.8)
Canadian	291	297	(2.0)	249	295	(15.6)
Other	1,869	2,571	(27.3)	2,121	2,553	(16.9)
Products, total	1,654	2,691	(38.5)	1,687	2,498	(32.5)
Residual fuel oil	561	1,107	(49.3)	556	1,083	(48.7)
Other	1,093	1,584	(31.0)	1,131	1,415	(20.1)
Total imports	3,814	5,559	(31.4)	4,057	5,346	(24.1)
Total supply	15,349	17,043	(9.9)	15,393	16,693	(7.8)
Stock change, all oils	-1,494	+1,072	XXXX	-1,487	+ 34	XXXX
Refinery Operations						
Input to crude oil distillation units	11,651	12,276	(5.1)	11,664	12,030	(3.0)
Operable capacity	15,621	16,139	(3.2)	15,703	16,168	(2.9)
Refinery utilization (%)[8]	74.6%	76.1%	(2.0)	74.3%	74.4%	(0.1)
Crude oil runs	11,499	12,100	(5.0)	11,514	11,831	(2.7)

Stocks (millions bbls.)	1985		1984[2]	% Change from . . .	
	Feb. 28[9]	Jan. 31[9]	Feb. 29	Previous Month	Year Ago
Crude oil [10/]	319.4	328.8	340.2	(2.9)	(6.1)
Unfinished oils	98.4	99.0r/	109.6	(0.6)	(10.2)
Total motor gasoline**	226.8	233.1r/	237.2	(2.7)	(4.4)
Finished leaded motor gasoline*	83.4	87.9r/	96.5	(5.1)	(13.6)
Finished unleaded motor gasoline*	107.4	108.6r/	100.2	(1.1)	7.2
Naphtha-jet	6.0	6.5	6.1	(7.7)	(1.6)
Kerosine-jet	34.8	35.7	32.9	(2.5)	5.8
Distillate fuel oil	123.3	141.8r/	132.2	(13.0)	(6.7)
Residual fuel oil	47.1	47.6	57.6	(1.1)	(18.2)
All other oils	161.0	166.1r/	160.9	(3.1)	0.1
Total all oils	1,016.8	1,058.6r/	1,076.7	(3.9)	(5.6)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: API
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.